

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2002-156-W - ORDER NO. 2002-658✓

SEPTEMBER 13, 2002

IN RE:	Application of Dowd Water Systems, Inc. for)	ORDER APPROVING
	Approval of Assessments to Existing Water)	INTERCONNECTION
	Customers in Stephenson Lakes Subdivision)	AGREEMENT AND
	for Interconnection to Chapin Municipal)	CONTRIBUTION IN AID
	Water System and Approval of a Bulk Water)	OF CONSTRUCTION
	Supply Agreement with Town of Chapin.)	

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Application of Dowd Water Systems, Inc. (Dowd or the Company) for approval of a Bulk Water Supply Agreement with the Town of Chapin for interconnection with Stephenson Lakes Subdivision, and for approval to assess the customers in that subdivision for interconnection to Chapin Municipal Water System in the amount of \$900 as a "Customer Contribution in Aid of Construction," pursuant to Commission Regulation 103-702.15.

Pursuant to the instructions of the Commission's Executive Director, the Company published a Notice of Filing in a newspaper of general circulation in the Company's service area one time, and, in addition, notified all customers located in the Stephenson Lakes Subdivision. A Petition to Intervene was filed by Forrest Derrick.

Accordingly, a hearing was held on August 21, 2002 at 2:30 PM in the offices of the Commission, with the Honorable Mignon Clyburn presiding. Dowd was represented by David W. Knight, Esquire. Dowd presented the testimony of Johnny T. Johnson. The

intervenor Forrest Derrick appeared pro se. The Commission Staff (the Staff) was represented by F. David Butler, General Counsel. The Staff presented the subpoenaed testimony of Raymond F. Peterson of the South Carolina Department of Health and Environmental Control (DHEC). William Theus, a Developer, also appeared as a public witness.

Johnny T. Johnson, a professional engineer, testified on behalf of the Company. Johnson stated that he had been asked by the Company to propose solutions to the water distribution problems in Stephenson Lakes Subdivision to enable the Company to come into compliance with a DHEC Consent Order dated October 3, 2001. After studying the available options, Johnson determined that the best long-term plan was to interconnect with the Town of Chapin. In order to accomplish this, Dowd entered into a Bulk Water Agreement with Chapin. Meanwhile, Dowd made an application for a rate increase for the Subdivision, which resulted in the granting of a flat rate of \$51.00 per household by the Commission. Johnson noted that the present Application included an amount necessary to install individual meters at each household, to better monitor water usage and leaks, and to allow for future use-based charges.

In October 2001, DHEC issued a Consent Order requiring Dowd to bring the water system into compliance in several respects and imposed a monetary fine. In the alternative, DHEC required the Company to interconnect with a viable public system. Johnson testified as to his familiarity with the Chapin/Amicks Ferry Water System. Johnson states that there is unlimited capacity on this system, transporting bulk water

from the City of Columbia system. The Amicks Ferry system is also supplemented by several wells.

Johnson testified that he actually filed two applications with DHEC, one to connect at Lakeside Drive and another to connect to the main water tank on Mary Drive. The first one is preferred, according to Johnson, and more cost effective, since there is no easement acquisition required, and an inner loop can be substituted to increase the potential customer base, in lieu of a main-line extension of 425 feet along Mary Drive to the tank. Both permits have been approved by DHEC, and Dowd is ready to proceed with construction as soon as funding is available, which is the reason for the request for the Contribution in Aid of Construction.

Johnson then referred to the application for a breakdown on the costs that make up the proposed \$900 charge. Johnson further noted that, while there are 25 existing households in the Subdivision, there are an additional 19 platted lots in the original platted Subdivision scheme. These lots have been purchased by a developer. No additional water taps can be issued unless sewer service is provided. The developer plans on constructing (with help from Johnson) a sewer line extension, connecting to the Chapin Regional System. According to Johnson, when transferred to Chapin, all additional 19 lots can be built on, and some or all existing households will have sewer service available.

William Theus, a developer, testified as a public witness. Theus noted that he would voluntarily pay the contribution in aid of construction fees for the additional 19 platted lots.

The intervenor Forrest Derrick testified. Although he is not opposed to the interconnection to the Chapin water system, Derrick questioned the ability of the Commission to order the developer to pay for the contribution in aid of construction fees. Derrick stated that, in actuality, there were 25 existing customers, plus 9 additional taps approved by DHEC. Derrick calculated his own contribution in aid of construction to be \$640 per customer. This was largely made up of meter costs. Derrick stated that tap fees should be paid also, thus lowering the amount of the contribution in aid of construction.

Raymond F. Peterson of DHEC, a professional engineer, testified as a subpoenaed witness for the Commission Staff. Peterson presented a chronology of DHEC's dealings with Dowd over this matter, and various materials concerning the matter located in the DHEC files. DHEC has approved the Company's plan for only 34 customers, instead of the 44 on which the contribution in aid of construction is calculated in this case. The material noted that the Company is planning on using the fee for installation of water meters at the 25 existing customers' lots. Peterson noted that interconnection with the Chapin Water System would satisfy the DHEC Consent Order, and that DHEC has given Dowd an extension to comply with that Order consisting of 30 days subsequent to this Commission's decision in this matter.

We would note that a portion of the requested monies making up the contribution in aid of construction are attorney's fees for the Company's attorney. That attorney has submitted sworn affidavits to this Commission to bolster the Company's case for recovery of those fees in the total contributions in aid of construction.

FINDINGS OF FACT

1. Dowd Water Systems, Inc. is a water utility regulated under the jurisdiction of this Commission.
2. Dowd requests approval of a Bulk Water Supply Agreement with the Town of Chapin for interconnection with the Stephenson Lakes Subdivision.
3. Dowd also requests approval to assess the customers in the Stephenson Lakes Subdivision the amount of \$900 as a Customer Contribution in Aid of Construction, pursuant to Commission Regulation 103-702.15.
4. Dowd had entered into a Consent Order with DHEC dated October 3, 2001. One of the options contained in that Order was to interconnect the Stephenson Lakes Subdivision with the viable public water system.
5. In order to accomplish this interconnection, Dowd entered into a Bulk Water Agreement with the Town of Chapin.
6. Dowd has previously been granted a \$51 flat rate per customer per month to provide water service to Stephenson Lakes Subdivision.
7. Dowd is ready to proceed with construction of the interconnection as soon as funding is available.

DISCUSSION AND CONCLUSIONS OF LAW

1. The Commission hereby approves the requested interconnection to the Town of Chapin system and the associated purchase of bulk water by Dowd for Stephenson Lakes from the Town of Chapin. We hold in abeyance the issue of approval of rates connected with that bulk water purchase at this time. We will visit the issue of

such rates in a future proceeding. Approval of the agreement will allow the Company to comply with the DHEC Consent Order. Due to the previously documented compliance problems of the Dowd Water System, the Commission finds the approval of this interconnection to be in the public interest of the rate payers in the Stephenson Lakes Subdivision.

2. The Commission finds that the estimated cost of \$900 per customer for a contribution in aid of construction is just and reasonable, based on the evidence presented to the Commission, and the Company may assess this amount to each customer in the Stephenson Lakes Subdivision, and may collect the voluntary payment for each of the 19 future customers from the developer. The customer charge is based on a total of 44 customers. Should DHEC not approve the proposed expansion to 44 customers (the system is currently permitted for 34 customers), the Commission reserves the right to review and amend this Order at a later time. To minimize any adverse effects on the customers of Stephenson Lakes Subdivision in having to pay \$900 at once, we hold that these customers may pay a one time lump sum payment of \$900 during the initial month of billing, or may pay three monthly installments of \$300 each.

3. Dowd Water Systems, Inc. must maintain its books and records according to Generally Accepted Accounting Principles (GAAP) to enable the Commission to audit the receipts and disbursements associated with this Docket, until such time that the interconnection with Chapin, construction of the 4 inch loop line, and installation of customer meters is completed. Particular attention should be paid to actual construction, installation and engineering costs associated with this Docket. The Commission reserves

the right to audit the books and records of the Company to assess the actual contribution in aid of construction versus the estimated costs contained in this application.

4. The Company shall file an application with this Commission within 60 days of the date of this Order for approval and establishment of meter-based rates, the inclusion of a bulk water pass-through charge from Chapin, and a water distribution charge.

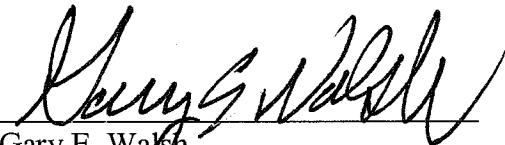
5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Mignon L. Clyburn
Chairman

ATTEST:



Gary E. Walsh
Executive Director

(SEAL)